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UNITED STATES IN THE ASIAN DEVELOPMENT FUND

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HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL
DEVELOPMENT INSTITUTIONS AND FINANCE

OF THE

COMMITTEE ON
BANKING, CURRENCY AND HOUSING
HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

SECOND SESSION

ON

S. 3103

A BILL TO PROVIDE FOR INCREASED PARTICIPATION BY
THE UNITED STATES IN THE ASIAN DEVELOPMENT FUND

MAY 12, 1976

Printed for the use of the
Committee on Banking, Currency and Housing



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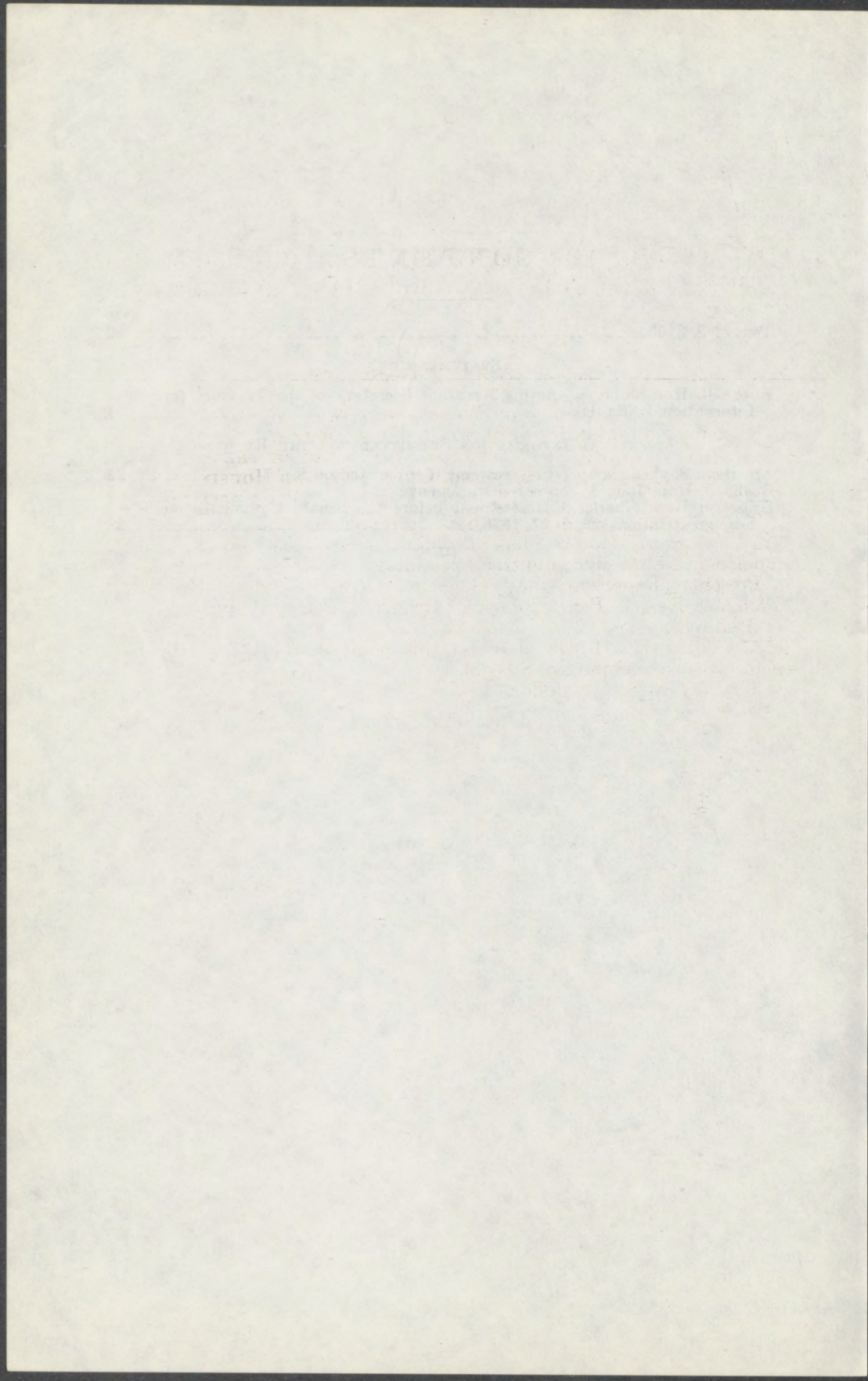
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(III)



TO PROVIDE FOR INCREASED PARTICIPATION BY
THE UNITED STATES IN THE ASIAN DEVELOPMENT
FUND

WEDNESDAY, MAY 12, 1976

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON INTERNATIONAL DEVELOPMENT
INSTITUTIONS AND FINANCE OF THE
COMMITTEE ON BANKING, CURRENCY, AND HOUSING,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:45 a.m., in room 2222, Rayburn House Office Building, Hon. Henry B. Gonzalez (chairman of the subcommittee), presiding.

Present: Representatives Gonzalez, Rees, Hanley, Hubbard, Tsongas, Evans, Paul, Johnson, Grassley, Fenwick, Boswell and D'Amours.

Mr. GONZALEZ. I will insert at this point in the record the bill before the subcommittee, S. 3103.

[The text of S. 3103 follows:]

(1)

94TH CONGRESS
2D SESSION

S. 3103

IN THE SENATE OF THE UNITED STATES

MARCH 9, 1976

Mr. SPARKMAN (by request) introduced the following bill; which was read twice and referred to the Committee on Foreign Relations

A BILL

To provide for increased participation by the United States in the Asian Development Fund.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Asian Development Bank Act (22 U.S.C. 285-
4 285h) is amended by adding at the end thereof the following
5 new section:

6 “SEC. 22. (a) The United States Governor of the Bank
7 is hereby authorized to agree to contribute on behalf of the
8 United States \$50,000,000 to the Asian Development Fund,
9 a special fund of the Bank, in accordance with and subject to
10 the terms and conditions of Resolution Numbered 92 adopted
11 by the Bank's Board of Governors on December 3, 1975.

II

1 “(b) In order to pay for the United States contribution
2 to the Asian Development Fund, there is hereby authorized
3 to be appropriated without fiscal year limitation \$50,000,000
4 for payment by the Secretary of the Treasury.”.

Mr. GONZALEZ. Mr. Secretary, why do you not just in brief—and I know it is a difficult chore but you are good at it—just in brief, brief us on the major points.

**STATEMENT OF HON. JOHN A. BUSHNELL, ACTING ASSISTANT
SECRETARY OF THE TREASURY FOR INTERNATIONAL AFFAIRS**

Mr. BUSHNELL. We have a statement to put in the record, which lays out in full detail what we requested.

Mr. GONZALEZ. Fine, that statement will go in the record.

[Mr. Bushnell's prepared statement follows:]

STATEMENT OF JOHN A. BUSHNELL
ACTING ASSISTANT SECRETARY OF THE TREASURY
FOR INTERNATIONAL AFFAIRS
BEFORE THE HOUSE SUBCOMMITTEE ON INTERNATIONAL
DEVELOPMENT INSTITUTIONS AND FINANCE
MAY 12, 1976 at 9:30 A.M.

I welcome this opportunity to appear before your Committee this morning in support of S. 3103, which would authorize a U.S. contribution of \$50 million to the Asian Development Fund (ADF), the concessionary lending facility of the Asian Development Bank (ADB). It is contemplated that this amount, which has been included in the 1977 budget, would be the first installment of a three-year U.S. contribution to the ADF to be spread over fiscal years 1977-1979.

Before discussing the details of this legislation and the total replenishment proposal, I would like to address briefly the importance of U.S. participation in the international development banks and then provide some specific background material on the Asian Development Bank and Fund.

There are three international development banks of which the U.S. is a donor member. (Final passage is expected imminently of legislation authorizing the United States also to join the African Development Fund.) These banks are part of an international structure in which the developed and developing countries work together to solve problems. By cooperating with other developed countries in funding these institutions we improve the effectiveness of our own efforts.

From the U.S. national point of view, these banks encourage development along lines compatible with our

own economy. They stress the role of market forces in the effective allocation of resources and the development of outward-looking trading economies. In working with the international development banks, developing countries are learning to administer large procurement programs effectively and honestly. These programs will result in increased procurement of goods and services in the United States and expanded future markets for our products, thus increasing employment in our country. Our participation in the international development banks will also provide more assured access to essential raw materials, and a better climate for U.S. private investment in the developing world.

Asian Development Bank

The Asian Development Bank, established in 1966, has a current membership of 42 countries which includes the developing nations of Asia, together with the developed countries of Europe, Asia and North America, including the United States. It makes hard loans on near market terms from its Ordinary Capital window and concessional loans from its Special Funds. It has developed, in a few short years, into a respected borrower in international financial markets, and an important provider of financial and technical assistance to the developing countries of the Asian region.

The Bank's ordinary capital lending, with interest rates now at 8.75 percent and terms of 15-25 years, is financed from its subscribed capital stock, the proceeds of borrowings (which are backed by the Bank's callable capital), the sale of participations in its loans, and profit derived from ordinary operations. The United States participated actively in the establishment of the Bank with an initial subscription to the Bank's capital stock of \$200 million. In December 1974 the Congress authorized the United States to participate in a first replenishment of capital resources of the Bank in the amount of \$361.8 million, to be subscribed in three annual installments of \$120.6 million each. The United States subscribed to the first installment in FY 75, bringing U.S. contributions to capital stock to a level of \$361.9 million or 11 percent of the total. The second installment of this subscription is included in the FY 76 Foreign Assistance and Related Programs Appropriation Bill. When this contribution is made the United States will have put in \$482.5 million, comprising approximately 14 percent of total capital stock contributions to the Bank. The third and last installment has been requested for FY 77.

The ADB has initiated discussions on a second ordinary capital replenishment, but the United States has not yet taken a position on the size or timing of such a replenishment, although it is clear that additional funds are needed relatively soon. From its establishment in 1966 through December 31, 1975, the Bank approved 150 loans from ordinary capital resources for projects in 15 member countries, totaling \$1,925 million. The major portion of ordinary capital loans are made to South Korea, the Philippines, Malaysia, Thailand and Indonesia -- countries that have shown strong self-help efforts to achieve economic growth and are of particular importance to the United States.

Asian Development Fund

When the Bank was established it was recognized that it would have to provide financing on concessional terms to meet the needs of its poorest developing member countries. Initially, this was done through a Multi-Purpose Special Fund administered by the ADB. It was a collection of unscheduled bilateral contributions made by donor member countries -- each of whom put varying terms and stipulations on the use of its funds.

In 1973, the ADB's Board of Governors, with United States support, adopted a resolution creating a new multilateral special fund, the Asian Development Fund, to which all contributions would be made and used on the same terms and conditions. Subsequently, agreement was reached among the Bank's developed country members on an initial resource mobilization for the new ADF of \$525 million for the three-year period ending December 31, 1975. In March 1972 the Congress authorized a U.S. contribution of \$100 million and in December 1974 a further \$50 million was authorized. Of this amount, \$100 million was appropriated in FY 74 and FY 75, but only one-half of the remaining \$50 million (\$25 million) is in the FY 76 appropriations bill, as reported by the Conference Committee.

From its inception, through December 31, 1975 the ADF approved concessionary loans totaling \$659 million. These loans went to the poorest South Asian and Pacific states with Bangladesh, Pakistan, Burma, and Sri Lanka as principal borrowers. As a matter of practice, India does not borrow from the Bank or Fund. Only Asian countries with 1972 per capita incomes of less than \$300 are eligible for concessionary loans, which carry a service charge of 1 percent with maturities of 40 years, including a 10-year grace period on repayments.

To date the United States has contributed a total of \$462 million to the ADB and ADF. This has generated contributions from other member countries to finance \$2,584 million worth of projects in the developing countries of Asia -- or 5 times the U. S. investment.

Of total Bank and Fund lending 35 percent has been for public utility projects, 23 percent for agriculture and agro-industry, 22 percent for industry and development banks, 19 percent for transport and communication, and 1 percent for education. Bank and Fund loans serve the same developmental purposes; the only difference is in the terms, depending on the economic status of the borrowing country.

ADF Replenishment

As of December 31, 1975, the ADF had only \$40.9 million remaining for new loan commitments in 1976, not including the U.S. FY 76 contribution. At this time the ADF has nearly exhausted its resources available for commitment.

Recognizing the depletion of ADF resources, multilateral replenishment negotiations were begun last year. During these negotiations the U.S. representative stated that he could give no indication of the amount or timing of a U.S. contribution, in part because the United States had not yet completed its contribution to the initial resource mobilization of the ADF, and consultations concerning U.S. participation in a replenishment had not yet been held with Congress. The U.S. representative did indicate that the U.S. continues to be a strong supporter of the ADB and would, in principle, expect to continue contributing to the ADF.

Understanding that the United States was unable to commit itself concerning the specific timing or amount of any U.S. contribution to the replenishment, the ADB Board of Governors, on December 3, 1975, adopted a resolution providing for the replenishment of the ADF resources, and authorizing the ADB to accept contributions to the replenishment from its developed member countries in amounts specified in the resolution, subject to possible later adjustment by the Board of Governors.

The resolution provides for an ADF replenishment in an amount not to exceed \$830 million for the 1976-78 period. Despite possible modifications in the total figure, the ADF expects to raise resources sufficient to increase its 1976-78 commitment total substantially above the \$456 million level of 1973-75, in order to increase its level of lending modestly in real terms despite the rapid worldwide inflation.

Most donor countries agreed to contributions equal to approximately 150 percent of their initial contributions. The Bank's resolution on the ADF permits members to suggest adjustments in their contribution levels. Last month the deadline for making such changes was extended to June 30. Canada has already indicated that it wishes to increase its contribution from \$42.4 million to \$76.4 million. The participation of Sweden and France is uncertain.

The Japanese have indicated they would provide one-third of the total contributions. Should the total be moderately less than the \$830 million in the resolution we would hope Japan and other donors would not reduce the contribution amounts shown in Table I. However, for such reductions to be avoided the United States must show its firm commitment to the replenishment.

As no decision had yet been made on the total U.S. contribution to be requested for the ADF replenishment, the United States reserved its position on the \$231 million proposed in the resolution for the U.S. share while commenting that such an amount seemed large. We formally abstained on the resolution. After reviewing carefully the financial needs of the Asian Development Bank and the burdensharing aspects of supporting a fund of major importance to the United States, the Administration believes that a three-year U.S. contribution in an amount substantially smaller than the Bank's suggested U.S. share of \$231 million would be appropriate.

Pending final determination of the total three-year U.S. contribution level, we requested authorization of an initial U.S. contribution of \$50 million for FY 77 which would represent the first installment of the replenishment. Authorizing legislation for this \$50 million passed the Senate on May 6. This amount represents the same level appropriated in FY 74 and FY 75 and requested in FY 76. Since contributions by other countries beyond the first year of the replenishment are contingent upon U.S. participation, a U.S. commitment, as provided in the proposed \$50 million authorization, is essential for the successful implementation of the total ADF replenishment package. Authorization for the remaining two installments will be requested in the near future.

I urge your prompt consideration of this legislation given the time limitations for authorizations and appropriations

imposed by the Budget Reform Act. A firm indication of a U.S. commitment to the Asian Development Fund is essential for the successful implementation of the replenishment. Asian countries will be contributing over \$300 million to the replenishment and European donors have agreed to contribute nearly \$200 million. However, the linchpin to this replenishment and the ADF itself is the United States.

The ADB -- now in existence nearly 10 years -- has developed into an important economic development institution for Asia. It brings special expertise and local knowledge to the development problems of the region. The Bank's growing impact on Asian economic progress is reflected in its recent activities. For example, it has substantially increased lending for agriculture in light of the world food crisis; it has given greater emphasis to the use of intermediate technology, thus encouraging cost effective project development; and it has mobilized supplementary sources of financing, including OPEC country resources.

By continuing our support for this institution, through this legislation on ADF replenishment, we will indicate to Asia and the world our determination to play a progressive and peaceful role in the Asian region, befitting our responsibilities and interests as a Pacific power.

Table I

Suggested Contributions to ADF Replenishment
Contained in Board of Governors' Resolution

<u>Member</u>	<u>US \$ Millions</u>
Australia	41.6
Austria	6.9
Belgium	7.3
Canada	42.4 <u>1/</u>
Denmark	6.6
Finland	5.8
France	42.4 <u>1/</u>
Germany	53.1
Italy	30.8
Japan	272.6
Netherlands	12.9
New Zealand	9.2
Norway	6.1
Sweden	10.6 <u>1/</u>
Switzerland	8.3
United Kingdom	42.4
United States	<u>231.0</u>
Total	830.0

- 1/ Subsequent to the replenishment proposal
Canada increased its proposed contribution to
\$76.4 million; participation by France and
Sweden is uncertain.

Table .II

Current Contributions to ADF/SF
(millions of dollars)

<u>Country</u>	<u>Amount</u>	<u>Percent</u>
Australia	\$ 33.7	5.4
Belgium	6.9	1.1
Canada	35.9	5.7
Denmark	6.2	1.0
Finland	3.6	.6
Germany, Fed. Rep.	56.5	9.0
Italy	1.5	.2
Japan	314.8	50.1
Netherlands	17.2	2.7
New Zealand	5.1	.8
Norway	3.9	.6
Switzerland	7.6	1.2
United Kingdom	35.6	5.7
United States	<u>100.0</u>	<u>15.9</u>
Total	628.5	100.0
OC Set Aside	+57.4	
SF Net Income and other credits	6.0	
Total ADF/SF Resources	<u>691.9</u>	

TABLE IV
 ASIAN DEVELOPMENT BANK
 Subscriptions to Capital Stock and Voting Power
 31 December 1975 (millions of dollars)

MEMBERS REGIONAL	SUBSCRIBED CAPITAL	PERCENT OF CAPITAL	PERCENT OF VOTES
Afghanistan	\$ 14.4	0.450	0.848
Australia	256.3	8.007	6.894
Bangladesh	45.2	1.413	1.618
Burma	24.1	0.754	1.091
Cambodia	10.6	0.330	0.751
China, Republic of	48.3	1.507	1.693
Fiji	3.0	0.094	0.563
Gilbert Islands	.2	0.006	0.492
Hong Kong	24.1	0.754	1.091
India	280.5	8.761	7.496
Indonesia	241.3	7.536	6.517
Japan	603.2	18.840	15.560
Korea, Republic of	223.2	6.971	6.065
Laos	1.3	0.040	0.519
Malaysia	120.6	3.768	3.502
Nepal	6.5	0.204	0.650
New Zealand	68.0	2.125	2.188
Pakistan	96.5	3.014	2.899
Papua New Guinea	4.2	0.130	0.592
Philippines	105.6	3.297	3.125
Singapore	15.1	0.471	0.865
Solomon Islands	.3	0.009	0.495
South Vietnam	36.1	1.130	1.392
Sri Lanka	25.7	0.803	1.130
Thailand	60.3	1.884	1.995
Tonga	.2	0.006	0.492
Western Samoa	.1	0.002	0.490
Total Regional	2,314.9	72.306	71.013

TABLE IV Cont'd

ASIAN DEVELOPMENT BANK
Subscriptions to Capital Stock and Voting Power
31 December 1975 (millions of dollars)

	SUBSCRIBED CAPITAL	PERCENT OF CAPITAL	PERCENT OF VOTES
NON-REGIONAL			
Austria	15.0	0.471	0.865
Belgium	15.0	0.471	0.865
Canada	75.4	2.355	2.372
Denmark	15.1	0.471	0.865
Finland	6.0	0.188	0.638
France	75.4	2.355	2.372
Germany, Fed. Rep. of	102.5	3.203	3.050
Italy	60.3	1.884	1.995
Netherlands	33.2	1.036	1.317
Norway	15.1	0.471	0.865
Sweden	6.0	0.188	0.638
Switzerland	15.1	0.471	0.865
United Kingdom	90.5	2.826	2.749
United States	361.9	11.304	9.531
Total Non-Regional	886.7	27.694	28.987
GRAND TOTAL	3,201.5	100.000	100.000

Table V

Asian Development Banks
Summary of Loans by Country
December 31, 1975

(millions of dollars)

<u>Country</u>	<u>Ordinary Capital</u>	<u>ADF/ Special Funds</u>	<u>Total</u>	<u>Percent</u>
Afganistan	-	34.0	34.0	1.3
Bangladesh	11.4	125.4	136.8	5.3
Burma	6.6	60.2	66.8	2.6
China, Rep.	100.4	-	100.4	3.9
Fiji	6.7	-	6.7	0.3
Hong Kong	41.5	-	41.5	1.6
Indonesia	153.9	113.3	267.2	10.3
Khmer Rep.	-	1.7	1.7	0.1
Korea	433.6	3.7	437.3	16.9
Laos	-	11.7	11.7	0.5
Malaysia	248.5	3.3	251.8	9.7
Nepal	2.0	55.5	57.5	2.2
Pakistan	235.2	100.0	335.2	13.0
Papua New Guinea	-	14.3	14.3	0.6
Philippines	332.7	15.3	348.0	13.5
Singapore	101.4	3.0	104.4	4.0
Sri Lanka	14.1	56.7	70.8	2.7
Thailand	233.2	8.1	241.3	9.3
Tonga	-	1.3	1.3	0.1
Vietnam, Rep.	3.9	40.7	44.6	1.7
Western Samoa	-	10.6	10.6	0.4
Total	1,924.7	658.8	2,583.5	100.0

Table VI.

ADB/ADF
Summary of Loans Approved By
Country and Sector as of
December 31, 1975

(millions of dollars).

	<u>Outstanding Including Undisbursed</u>	<u>Repayments</u>
Ordinary Capital	\$ 1,924.7	\$ 48.7
Special Funds/ADF	658.8	1.0
<u>By Economic Sector:</u>	<u>Cumulative Percent</u>	<u>1975 Percent</u>
Agriculture and Agro-Industry	22.8	37.2
Education	1.1	2.2
Industry and Development Banks	22.0	19.5
Public Utilities	35.1	28.7
Transport and Communication	19.0	12.4
<u>By Country:</u>	<u>Cumulative</u>	<u>1975</u>
Korea	16.9	15.4
Philippines	13.5	16.0
Pakistan	13.0	14.7
Indonesia	10.3	11.8
Malaysia	9.7	7.2
Thailand	9.3	11.8
Others	27.3	23.1

Mr. BUSHNELL. What I thought I might do is start things off, concentrating on explaining why we regard this as urgent at this particular time.

Mr. GONZALEZ. I think that would be the most important thing of all.

Mr. BUSHNELL. As you know, the new budgetary procedures of the Congress require that any authorization that will require fiscal year funds for next year, that is fiscal 1977, needs to be reported out of the relevant committees of the House and Senate by May 15. Thus, to the extent that there is to be an appropriation in fiscal year 1977 for the Asian Development Fund beyond the amount that we requested for fiscal year 1976, there needs to be an authorization reported out by May 15. This has been done on the Senate side. In fact, the Senate has passed the authorization.

Now, you may very well ask why is it we are coming up for only \$50 million for a 1-year program, which is very unusual. We usually request authorizations for 3 years in order not to bother you so often and to permit you to take a broader, longer term view.

The reason is that at this moment the Bank's relations with Vietnam and the other Indochina countries are not quite clear. Therefore it seemed to us unwise to come forward at this time with a 3-year authorization as that would raise a number of questions because 3 years is a long time; questions as to whether this money would go to Vietnam and other such countries.

The Bank is not now dispersing and funds to those countries. It has suspended its loans. But this is an issue, which is under discussion, and there might be some development within 3 years. We thought it was better to come forward now with a 1-year program, which would leave those issues open; and then come back in 1977 with requests for authorizations of the remaining 2 years of the ADF replenishment and the replenishment of the ordinary capital of the Bank. This would be a major package for the ADB by which time we would hope the situation regarding Indochina and the Bank would be clear and definitive and could be handled much more easily than it can be now.

There are three reasons, in addition to the budgetary process, why this authorization is urgently needed at this time.

First of all, the Asian Development Fund, which lends to the poorest countries in Asia, is nearly out of funds. It had only \$40.9 million at the beginning of this calendar year. More than half of this has now been committed. Replenishment discussions began some time ago. The United States has not set a final figure for our participation in this replenishment because we are waiting to see what develops in Vietnam and on some other issues.

We have, however, said that we do plan in principle to participate and that we would recommend to the Congress a contribution for the United States in fiscal year 1977 at the same level as recommended in the previous 3 years; namely, \$50 million in fiscal years 1974, 1975, and 1976.

The other donors have been reasonably understanding and appear to be prepared to make their contributions effective by about July if we are prepared to move forward and participate on a first-year basis.

We will need to contribute this money in, in fiscal year 1977, in order to trigger the second-year replenishment of the other donors.

Unless we contribute, we will be in the position of holding up beyond the first year, Mr. Chairman, the contribution of other donors. And unless we show we are contributing, there may very well be an unwinding of the contributions of others.

Mr. GONZALEZ. Excuse me, we have a quorum now present. I would like for you to clarify that last point. You say this money would be necessary. You are speaking of the replenishment.

Now this \$50 million, if I understand it correctly, is a commitment already made?

Mr. BUSHNELL. No, Mr. Chairman, we have not made any commitment. There has been a negotiation, in which we participated, for a 3-year period of 1976, 1977, and 1978.

The general formula in this replenishment is an increase to 150 percent of what countries contributed in the previous 3 years. That formula would produce a U.S. contribution of \$231 million. We have said we think that is too high and that we cannot go up that much.

We have not yet in the administration made a decision on the amount for the 3 years, but we have, beginning last November when we set the fiscal year 1977 budget, come forward for the first year of these 3 years at the level of \$50 million; the same level as previously. This is an authorization for the first year of the new 3-year replenishment at the same amount that had been authorized for the previous 3 years on an annual basis.

Mr. GONZALEZ. All right, some other members just came in. I wonder if you would be kind enough to again emphasize why the urgency of this at this point.

If the question is, and has been asked, why can this not wait until the next round, then why—

Mr. BUSHNELL. As with the soft funds of all of these banks, the United States makes a contribution every year. Under the new budgetary procedures of the Congress, the rule is that authorizations for appropriations in the next fiscal year—in this case fiscal year 1977—should be reported out of committee before May 15.

If we are to continue our contributions to the Asian Development Fund in fiscal year 1977, the authorization should be reported out of the relevant committees by May 15. The Senate has already acted, both in committee and in the full Senate which has passed this authorization.

We have come forward for only the first year of the 3-year replenishment rather than the normal 3 years because it was our sense in the administration, after consultation with the Congress, that a 3-year authorization would raise a number of difficult questions, particularly concerning Vietnam and Indochina. This is a situation which is unclear at this time, even though the Bank is not disbursing any funds for those countries.

Therefore, we have come forward with what is essentially an interim piece of legislation to continue our contribution at the same level for 1 more year while that situation is clarified.

It would then be our intention to come to the Congress, to your committee in 1977 with a package, including the last 2 years of the ADF replenishment, and a replenishment of the ordinary capital of the Asian Bank. At that time we could then engage in a more complete review of the Bank.

But if this authorization is not reported out, then under the new budgetary procedures there would be no authorization for any new appropriation for fiscal year 1977 for the Asian Development Fund.

Mr. GONZALEZ. Mr. Johnson, you go ahead.

Mr. JOHNSON. May I ask, you just got back from the annual meeting of the Asian Bank for Development. We have, of course, some new members on the committee. Could you tell us, just as quickly as possible, Mr. Bushnell, the nations that are contributing and about how much money has been contributed in the past and what did you glean from the conference? Are they doing a good job? Are they making some decent loans? Are they raising the standard of living? Are they living up to the mandate we gave them about 7 or 8 years ago when the Bank was organized?

Mr. GRASSLEY. And would you reemphasize your point about the standard of living? I missed that but I am interested in it.

Mr. JOHNSON. Well, the whole idea behind the Asian Bank for Development is to make loans for agricultural products and projects, schools, everything, in that section of the world.

And, of course—was it the Bank's 10th anniversary this year?

Mr. BUSHNELL. This was the 10th meeting. I think their record in reaching the poorer people of the poorer countries is very good. This past year almost 40 percent of their lending was in the agricultural sector. They have moved vigorously in two fields of agriculture: One is in the local production of fertilizer because fertilizer is desperately needed. They have very usefully brought in a lot of OPEC money in connection with ADB financing of fertilizer plants in the area.

The second major area they have moved into in agriculture is integrated development where the Bank provides technical assistance as well as improved seeds, irrigation works, feeder works, and so forth, for the small farmer so he can substantially increase his income.

And that is in my mind, Congressman, where the big payoff is. If the small farmers, who in Asia often have only 2 or 3 acres, can use modern seed, get access to fertilizer, get it at a reasonable price, then they can double, triple, and quadruple their production, which by our standards still is not very much. However, it does make a very big difference in their standard of living to have enough to eat and a little surplus to sell into the market economy.

Mr. GRASSLEY. Are we—I am sorry.

Mr. JOHNSON. Go ahead.

Mr. GRASSLEY. Along the same line, then, is the Asian Development Bank still promoting the production of palm oil?

Mr. BUSHNELL. We have asked the Asian Bank, at least until our studies are completed, not to bring forth any more loans for palm oil production. They have agreed to do that for a time.

In two projects they have substituted other products for palm oil because of the concern that we have brought to them that there has been so much development of palm oil—not that that is a bad thing—but that the volume of it has contributed to a surplus in the world market.

They are awaiting the studies now being done by the U.S. Department of Agriculture and others on the long-term market situation because palm oil takes 5 years from the time a loan is made to production. So really the relevant market is the market 5 years from now and not

today. The Bank will wait before moving forward with additional projects in this field.

Mr. GRASSLEY. Well, how explicit has our communication to our representative on the Asian Development Bank been that the Asian Development Bank had better not make any more loans in this area, and to what extent is that going to be respected by the Board of Directors of the Asian Development Bank?

Mr. BUSHNELL. I would be glad to send you a copy of the letter we wrote to our Executive Director, which was very explicit, on holding up these loans until the studies are completed. My conversations with the Bank staff in Jakarta indicate they will respect our request provided our studies are done this summer or on a reasonable schedule.

Mr. GRASSLEY. OK.

Mr. HANLEY. The bill calls for increased participation in accord with the resolution in the Senate?

Mr. BUSHNELL. The other donors in the Bank have generally agreed to increase their contribution in the next 3 years by 50 percent, which is $1\frac{1}{2}$ times what they give in the past.

Mr. HANLEY. This is a general agreement where everybody has committed themselves for an increase in participation in the amount equal to that of this country?

Mr. BUSHNELL. Well, we have not committed ourselves. But, with one or two exceptions, the other donors have committed themselves to an increase of 50 percent of their contributions.

We have said that we thought that was more than we would be able to provide, but we have not yet established a figure for our 3-year contribution. We would expect to do that before June 30. It will be substantially less. A 50-percent increase to us would mean to go from \$150 million over 3 years to \$231 million. And we have indicated we would not go that high. We have indicated that we would expect our share of ADF contributions to go down from a little over 25 percent to something under 25 percent, but we have not set a precise figure yet.

Mr. HANLEY. So essentially right now the 3-year authorization would ordinarily be about \$150 million. Is that correct?

Mr. BUSHNELL. That is right. If we did the same as last time, it would be \$150 million, and we are asking for \$50 million for the first year.

Mr. HANLEY. So the suggestion, in accord with the commitment of other countries, could bring the 3-year authorization to a total of about \$230 million. Is that right?

Mr. BUSHNELL. It would not be the intention of the administration to request that much. It is possible we would request for 3 years something more than \$150 million. My own feeling is that \$180 million would be the outside figure.

Within the administration we are looking at two options: \$150 million with no increase; and \$180 million, a very modest increase.

Mrs. FENWICK. Would the gentleman yield?

Mr. HANLEY. Delighted.

Mrs. FENWICK. I expect to support this Fund. However, I have some questions.

One, is this lending wise? Are we not now running into a situation where the very people who need money the most are the ones who are least able to repay it; that so much of what is now given the poorest nations has to go to interest on the debt. I wonder if this

process of lending is a wise one; that is, to lend, at cost to out taxpayers, and build the resentment a debtor always feels when he cannot meet interest and amortization payments. That is the first question.

The second question is something a little more essential. You generally do not have to keep on giving banks money. It is wise to call this bank? We should call things by their right names. If this is an aid fund, it ought to be called aid. If it is a bank, it ought not to need continual inflows of money. It ought to operate as banks do with some relationship between income and outgo. I think we would be better off.

Mr. REES. It is both really.

Mr. BUSHNELL. Maybe I could answer the first question and leave the second question to Mr. Tsongas.

On the lending from the African and Asian Development Funds, there are loans with an interest rate of 1 percent and 25 to 40 years to repay. These are the sorts of terms that the poorest countries can afford.

It is certainly difficult for some of these countries to borrow from commercial banks at Eurodollar market rates of 10 percent interest and 3-year maturity. That is the reason why the Asian Development Fund provides funds over a long enough period to give time for the economies of the developing countries to expand and be able to service the loans. There is no interest. There is only a 1-percent service charge.

Mr. TSONGAS. And I think the point to be made is that this is not the Asian Development Bank. It is the Asian Development Fund. It is a soft-loan window for the poorer countries.

Second, in terms of the whole lender-borrower syndrome, I think, yes, it is true; but it is even worse with direct doles.

I think the value of these development banks and development funds is that it is a step away from bilateral foreign aid.

Mrs. FENWICK. Would it not be better to say: "What do you really need?" And the answer would be: "Well, we need irrigation equipment." And I would say: "OK, let's do it together. You put in your ideas, your energy, your knowledge of your country, the resources, and a little money; and we will supply this. So we will do it together." Do you see what I mean?

We would get into a cooperative effort in which their spirit, and energy, and hopes, and plans for their own country—and a little money—even 1 percent—are given so that they are really participating.

Mr. TSONGAS. Would the gentlelady yield on that point?

Mr. REES. Well, let me just say this. What happened after World War II as we went into bilateral trade? We took the U.S. aid program into another country, and I think we had successes and a lot of failure because there was resentment of the U.S. presence because we were the richest country in the world.

I think as the result, there came about this creation of the multi-national banks like the World Bank, the Asian Bank, the African Bank, the Inter-American Development Fund. This is actually a situation where the people in that area make the decisions, which has been far healthier. We get a more carefully thought-out type of project. We do not have that presence there, which is a negative presence. We have, rather, a positive presence.

And I can tell you this. I am from Los Angeles, as you well know, and I think that the great future for this country is in the Pacific basin in terms of trade and commerce. I feel it every time I go back to my district.

Asia and the Pacific basin are nonaligned areas in terms of trade. It is not the Common Market. It is not tied in to Africa the way that the Common Market is tied in to Africa. It is not like the eastern zone.

So our great future is there in the Pacific basin. And I think it would be tragic if we did not come in with full participation—

Mrs. FENWICK. I agree.

Mr. REES [Continuing]. In this bank because we get a lot more than we put in, because it puts our presence in the Pacific basin.

But I would suspect—there has been something like an 800-percent increase in the last 10 years of foreign trade out of the Pacific coast.

If you look at California and the Pacific coast, you will find the fastest industry really is export in the Pacific basin. This is why those of us on the Pacific coast are very hot for the Asian Development Fund because we see it as good business for our area of the country.

Mrs. FENWICK. Bank or Fund?

Mr. REES. Both. The Bank lends on a normal commercial basis. The Bank looks at a project just like any bank would look at a project. The Fund is a soft loan.

Mrs. FENWICK. I am in favor of it, but I think we ought to ask some questions.

Mr. REES. And for the GNP, it is less than \$300 a year.

Mrs. FENWICK. Yes.

Mr. REES. And we are really getting—

Mrs. FENWICK. Does the Bank need money or just the Fund?

Mr. REES. Just the Fund at this time.

Now, when the Bank needs money, they will go in for a recapitalization. The World Bank will be coming up for recapitalization next year.

Much of this capital is used merely to back up the borrowing that the Bank makes in the private market, so a lot of the Asian Development Bank securities are sold in the private market. It is a good investment. This is then used to lend in terms of hard loans.

Mr. GONZALEZ. Let me say that we have a new member of this subcommittee and a member of the full committee from my State of Texas.

This is Congressman Ron Paul. We welcome you aboard. I was going to ask the minority leader here to introduce you, but I am going to jump the gun.

Mr. JOHNSON. I think a fellow Texan could do it better.

Mr. GONZALEZ. Well, we are always glad to have a fellow Texan up in these hostile eastern shores.

Mr. REES. With what I have seen of Texas politics, I do not know.

Mr. GONZALEZ. Well, it all depends.

Mr. JOHNSON. Speaking of—

Mr. GONZALEZ. Excuse me, I believe Mr. Paul was seeking recognition.

Mr. PAUL. I have a question. First, the question is, I would like to know how often defaults occur, what percentage, and then I will make a comment here.

Earlier I had investigated a little bit about our problem along the coast in Texas about the real depression in the shrimp industry. What was hurting the shrimp industry was that we were getting a lot of imports, and they were underselling our country's shrimpers and driving the price down.

But then when I further checked and found out that the shrimpers in India and Japan were building fleets at practically giveaway money—1 percent money—then I was surprised. And you are correct about this: You are kidding yourself if you call it a Bank. This is just a highway for foreign aid assistance. And people are fed up with foreign aid.

These people come in and get these loans. They do not have to really pay for their boats. Now they are down there with a program in Texas to retrain our shrimpers because they cannot keep up with the market. So first you lose the money when you send it over there and then keep feeding funds into the Bank; and next you are down there retraining the shrimp people who become unemployed.

So you look at the short run and you say; "Yes; we are helping to support people——"

Mrs. FENWICK. But I think——

Mr. PAUL. Excuse me, and we are helping them. But in the long run we are hurting the American people. We are supposed to be representing Americans not Asians.

So I would like to know how many defaults we get.

Mr. BUSHNELL. Well, there have not been any defaults on loans through the Asian Bank from either the soft funds or the hard funds.

The closest that we have come to this is the situation now applying in Indochina where the Vietnamese and Cambodians have not paid interest due since the change in governments. This amounts to less than \$150,000 so far and is one of the issues that eventually will have to be worked out. However, the capital of those countries, which they paid into the Bank, is about the same as the amount those countries have borrowed. So if, in the final analysis, they refuse to pay their interest and to repay their principal, the Bank can eventually set off defaults against their capital. The Bank would not lose anything since it does not have any substantial net exposure in those countries. Aside from those countries, there is occasionally a situation where country will get 30 or 35 days behind but not a default.

Mr. TSONGAS. Just to set the record straight, Japan is a contributor and not a borrower.

Mr. REES. And they are higher than we are.

Mrs. FENWICK. Exactly.

Mr. BUSHNELL. For the next replenishment over 3 years, the Japanese have agreed to contribute one-third or up to \$273 million so that, even if we were to contribute the higher of the two figures, the Japanese would surpass us by a substantial amount.

Mr. GRASSLEY. Well, we historically have given about 11 percent. If we go at this higher percentage, then what did you say our percentage will be?

Mr. BUSHNELL. Historically, in terms of contributions to the ADF, if one includes the \$50 million which we requested in fiscal year 1976 and which we have not given yet, we would have given slightly over 25 percent—actually, 28 percent of the soft funds.

Now, that is distinct from the ordinary capital of the Bank. Our share started out at 16 percent. If we were up to date, our share today would be about 14 percent. In the ADF our proposed share has been just over 25 percent. We think that should go down.

Mr. HANLEY. Mr. Grassley referred to a concern about palm oil. Are there other controversial products?

Mr. BUSHNELL. I suppose there tends to be a controversy whenever a product—the production of which is supported by the Asian Development Bank or Fund, or any of these institutions—competes directly or indirectly with a U.S. product.

There are very few of these because most ADF projects do not fall into that category. They are projects to improve the nutritional standards of the countries, to improve their infrastructure, and so forth. There is only an occasional product that falls into this category.

The main one we have had in the last year has been palm oil. There has only been one ADF loan involving shrimp exports to the United States.

Mr. GRASSLEY. Mr. Chairman, the reason I am particularly concerned about this palm oil situation and the use of Asian Development Funds for that is that there is naturally competition with the American farmers as the result of the export of that from certain countries particularly Malaysia and Indonesia.

But, according to what Mr. Johnson said in his original question to you—asking you to comment on the purpose of the Asian Development Bank to increase, you know, the standard of living of the people and their domestic needs—well, your answer is fine. You know, you can invest this money in palm oil production if that will raise the nutritional intake and particularly the protein level of the residents of these countries.

I think if that is the purpose, then we are willing to contribute to that. But then we find, after years and years of investment in this area, when we find that they export 80 percent of their production and the U.S. imports most of that—and we find, of course, that 4 percent of the people of America; namely, the farmers in America, are bearing the economic brunt of it—when we find all that, then we feel like we are getting away from the original intent.

Not only that, but we find that investment is going to carry on for 35 years, because that is what the production of these trees are.

And you say: “Well, we are holding up any more investment in this area for 1 year until we get some studies done.”

Well, you can hold up investment for the next 35 years, but what has already been invested and the harm that is being done, well, it is going to be continued for a long period of time. That is what concerns us.

And I think we have gotten beyond the normal purpose of the Bank.

Mr. BUSHNELL. Well, I think it is possible to help the poor by putting them into an export crop as well as doing something for their domestic consumption. It is true, I think, that the production of African oil palm, as it is called, though it is mainly produced in Asia, is a very labor intensive activity.

There are thousands of people at work at this. It does provide jobs for the unemployed. However, as with many good things, there is the fact that too much can be the enemy of the good.

It is our feeling there has been a great deal of development of African palm oil, particularly in Malaysia and Indonesia. If it goes too far, it will create problems even for these countries. If they create a surplus on the market, it creates not only problems for our farmers—who produce soybeans and other sources of oil—but also for themselves, and the Bank should not engage in that sort of activity.

Nevertheless there are still some very open questions, particularly where there is a need for more edible oil in the diet of people in Asia, not so much in the producing countries but in other countries where the diet is sorely deficient. One question is whether consumption can be expanded to absorb much of this oil from the oil palm in order to improve the diets in the region. I think we would all like to see happen.

Mr. GRASSLEY. I might put it in perspective for the rest of the members of the committee and particularly the Congresswoman from New Jersey, Mrs. Fenwick, and the gentleman from Massachusetts, Mr. Tsongas, that there is a lot of private investment overseas that has created unfair competition for workers in America particularly in specialty steel and in the manufacture of shoes, which have turned out to be unfair competition for the workers in America and the people in those occupations. The union leaders in those occupations are asking the President of the United States to step in and put some sort of compensatory duties on to protect American industry.

The American farmer, who feeds the other 96 percent of the people in this country—and those farmers are 4 percent of the people of this country—feel a little bit the same way about palm oil. Only in this instance there was a political decision made by public officials in the United States that there ought to be this investment overseas in the Southeast Asian countries which have, in turn, provided this unfair competition; whereas in the instance of specialty steel or shoe production, those were private decisions of investment overseas.

Mrs. FENWICK. Look, about shoes, let us just talk about that a minute.

How are we going to live in this world if every time anybody can make anything that competes with us, we put up barriers? The President very wisely, in my opinion, did not go in for that. We tried that once and nearly busted the country. You cannot live like that and we have to learn it.

Now, what has happened in the shoe industry is most interesting. Companies have understood finally—workers and unions and companies alike in this country—they have all finally understood that they are going to have to live with competition. That is supposed to be our way.

If you can make it better and if the consumer is to benefit with a cheaper product, it has to be made available to the consumer. You cannot hold up the consumers with taxes rising as they are.

What is happening in this country is very interesting in the shoe industry. They are retooling. They are taking a lot of those shoes and fixing them up, because they come here not quite adequately finished, and they are making a very good business out of that. The retailers here had been getting complaints, and it is to the consumers' interest that these companies are retooling, and these unions are joining in. So we are getting some intelligent handling of an international problem.

Excuse this long speech, Mr. Chairman.

Mr. GONZALEZ. No, I believe a full and free discussion is good. I believe we may be a little astray from the central issue here and that is whether or not this particular infusion, which is honoring a commitment, is directly or even indirectly related to these complaints, whether it be palm oil or shrimp. And I was hoping the Secretary could give us some specifics on that. But he has indicated, first, that the American representative has filed his request on behalf of our Government to suspend or freeze these loans for palm oil production if they are involved in palm oil production. Is that correct?

Mr. BUSHNELL. That is correct, Mr. Chairman.

The best way to proceed in these cases is not to bring matters to a vote but, rather, to use the strength of reasoning and argument to present the situation to the management of the Bank and to indicate our concerns and what our preliminary studies show.

And we have received from them a concrete indication in two projects where they have substituted other products and a general indication they will not bring other oil palm projects forward until we have completed our studies and they have had a chance to review them. In the final analysis, we will have to convince them our studies are right. But if they are good studies and come out that way, I think we will be able to do so.

The same is true in the case of shrimp and other fish products for export to the United States. The ADB has concentrated its lending on helping the countries to build up sufficient fleets to fish for their own domestic market in order to increase protein in the local diet.

Now, it is true that some Asian countries such as Japan are expanding their fishing capability. That does not have anything to do with the Asian Development Bank.

Mr. GONZALEZ. Well, let me ask you one question.

How would you sum up the national interest in relation to the imperative need to legislate at this moment on our side here?

Now, the Senate passed this but it did not pass it out until just a few days ago. So that put us under the gun because of our limitation on the reporting of bills by May 15, which is Friday.

All of this was discussed and cleared with the chairman of the committee, with the minority staff, the majority staff leaders. And I feel it is imperative that the administration emphasize the urgency of the need for action from the national interest.

Mr. BUSHNELL. Let me say, Mr. Chairman, that in this period—and it has only been a year since the changes in Indochina—there is a great deal of concern in Asia, I have just been to the ADB annual meeting in Jakarta, and the Asians are asking if the United States is going to continue to be interested and support them as in the past. They are concerned that we, as an administration, have not brought forward a full 3-year replenishment. They think perhaps that is a sign we are not going to continue to support the Asian Bank. We have told them we are pushing very hard for this 1 year, and we do not want to allow a gap in our support.

So I think the timing factor here is to show by this action at this time that we are going to support development in the Asian countries and that we are not going to have a year in which we back off and reconsider the whole situation and leave the countries without money for that year and interfere with the ongoing replenishment of others. A number of other countries—for instance, the United Kingdom,

Germany, Japan, and others—have said it is very hard for those people who have my job, to go to their Parliaments and to their Governments saying, they should increase and continue to contribute, if the United States is not maintaining the same level it was contributing while they are asking their Parliaments for increased contributions. I think that is the urgency; that is, to show that we are not turning our backs on Asia at this time.

Mr. GONZALEZ. Mr. Tsongas.

Mr. TSONGAS. I think there is another point and that is if these countries develop, they will be customers of the United States.

The United States is increasing its percentage of GNP relative to export. It is in our interest, just from a business point of view, that these countries develop to a point where they require our raw materials and products.

Mr. REES. Well, as an exporter and not running for reelection—

Mrs. FENWICK. You are free.

Mr. REES. I would like to recommend this bill and send it to the full committee with a favorable resolution.

Mrs. FENWICK. I second the motion.

Mr. GRASSLEY. Mr. Chairman?

Mr. GONZALEZ. Mr. Grassley?

Mr. GRASSLEY. Mr. Chairman, I would ask for permission to put in the record the same statement I gave before the Senate Committee on Foreign Relations on this bill. Could I do that?

Mr. GONZALEZ. Without objection, so ordered. We will put your statement into the record at this point in the record.

[The statement of Congressman Grassley before the Senate Committee on Foreign Relations, on April 27, 1976, follows:]

STATEMENT BY HON. CHARLES E. GRASSLEY, BEFORE THE SENATE COMMITTEE
ON FOREIGN RELATIONS, APRIL 27, 1976

Mr. Chairman, members of the committee, I am testifying here today not only as an elected representative from the third district in Iowa, but also as a person who has made a living as a small farmer far longer than he has served in Congress. A major problem is confronting farmers from all over the country today and, unfortunately, that problem is exacerbated by actions of committees in the House and the Senate which approve monies for international lending institutions. The problem is competition with American crops brought about by the importation of foreign palm oil. I am particularly concerned about the oil's displacement of soy products in this country and abroad. The reason I bring this matter to your attention is because your committee, through its authorizations for the Asian Development Bank, is contributing to the subsidization of palm production in nations to which the bank makes loans. At this time, I am attempting to determine if some of the money for palm production comes directly from the Asian Development Fund. I have yet to succeed in making that determination. Because this matter is of such crucial concern to the farmers of this nation, I thought it best to take advantage of this hearing to let you know where we stand.

The U.S. Department of Agriculture has estimated that in 1975, a potential 43 million bushels of soybean sales to domestic edible oil users have been lost due to increases in palm oil imports. Most of these imports originate in Malaysia and Indonesia, to which the Bank has lent money in the past for the specific purpose of promoting palm production. The value of the 1975 loss is about \$1.5 billion. In 1976, the Department of Agriculture has estimated that an additional 30 million bushels will be lost. The United States is by far consuming the largest portion of new palm oil imports.

First, I want to assure you that farmers are willing to take their chances when it comes to competing in a free market. What disturbs them, however, is that the massive loss of income I've just described is being "aided and abetted" by actions of the United States government, through its assistance to various international

lending institutions. The Asian Development Bank, in particular, lent \$218 million to Malaysia between 1968 and 1971 for the production of palms. Between 1971 and 1976, Indonesia received \$20 million from the bank for the same purpose. As you may know, palm trees take about four to five years to begin producing oil, so the trees we've helped plant are in the early stages of production. Palm trees have a productive life of about 30-35 years, so those trees financed in part with dollars from this country will continue producing for sometime to come. In 1975, Malaysia produced about 57,000 metric tons of oil and Indonesia about 10,000 metric tons. Whereas 10 percent of the 1974 Malaysian crop was imported by the U.S., nearly 28.5 percent was imported in the first seven months of 1975. By 1980, Malaysia will produce nearly 142,000 metric tons and Indonesia nearly 80,000 metric tons. Already, between 75 percent to 100 percent of the Indonesian crop, and nearly 100 percent of the Malaysian crop is being exported.

Again, I want to emphasize that farmers don't mind competing with nation's that produce competitive crops on their own, or which are financed with assistance from sources outside the U.S. Nor do they mind the use of American dollars for loans which assist nation's to grow crops for domestic needs. But when their own government donates money for the production of a crop which, in the first place, is used primarily for export rather than domestic consumption and, secondly, will be a major competitor of American crops, farmers become confused about the intentions of their government. In addition, there are problems associated with the importation of palm oil that I've not yet touched on. First, it is very saturated and may prove unhealthy for some. In addition, the result of increased palm oil imports could well be less production of soybeans and a major derivative for animal feed, soymeal. The result could ultimately be less production of nutritious, high-protein meat, which would mean less good meat and higher prices for the American consumer.

At the present pace of palm production, imported oil could displace about 10 percent of the potential soybean production in this country by 1985. Therefore, today, I am here to urge you to instruct the American representative to the Asian Development Bank to refuse to approve any project which might result in the subsidization of foreign palm production, and, more generally, with American crops. In addition, I ask that no new monies be approved for the Asian Development Bank or Fund which might be used for the future production of palm oil. Much damage has already been done and, with a productive life of 30-35 years for the palm trees, that damage will not be remedied for some time to come.

Mr. GRASSLEY. Could I ask how long will the record be open for comment from any group that might be interested in submitting testimony? The reason I ask that, sir, is I did not have a chance to look up the rule, but it just seems like I recall some rule that said that there has to be public notice and 24 hours given for a meeting so that organizations or individual witnesses—well, there is something in the rules about the minority members having a right to have people testify.

And I would suggest one of two things: Either I would like to have that rule apply in this instance, or else I want the record left open.

Mr. GONZALEZ. Well, let me put it this way. This is a subcommittee.

Mr. GRASSLEY. Yes.

Mr. GONZALEZ. We are meeting under the emergency clause of the rules of the House.

The chairman of the full committee indicated that he would call a meeting of the full committee as soon as there is action on the subcommittee level.

Mr. GRASSLEY. OK.

Mr. GONZALEZ. As far as the record of this transaction, as far as I know there should be no objection to your statement or any other statement you wish to add.

The question of the full committee meeting is something else again. And I—

Mr. GRASSLEY. The rule I have reference to—do we have that here—made reference to the subcommittee as well.

Mr. REES. Well, the rules of the subcommittee are the rules of the full committee.

Mr. JOHNSON. How long would you suggest holding this record open?

Mr. GRASSLEY. I would like to have it open at least 72 hours.

Mr. GONZALEZ. The hearing record? Oh, there is no objection to the hearing record being open. No, I thought you were referring to something else. There is no objection to that. I mean, with unanimous consent, we will hold it open.

Mr. GRASSLEY. Under rule No. 7 it states:

The Chairman in the case of a hearing to be conducted by the Committee and the appropriate Subcommittee Chairman in the case of hearings conducted by a Subcommittee, shall make public announcement of date, place, and subject matter at least one week before commencement of the hearings unless the Committee determines there is good cause to begin such hearings at an earlier date. In the latter event, the Chairman of the full Committee or the Subcommittee Chairman, whatever the case may be, shall make such public announcements at the earliest possible date. The Clerk of the Committee shall promptly notify all members of the Committee in the Daily Digest—the Clerk of the Congressional Record, that is—as soon as possible.

Now, the reason why I am concerned about that is because, if there were people that were interested in testifying on the matter of the replenishment of the Bank and, particularly, in this area I brought up, you know, they do not have any way of knowing this under the conditions by which we met.

Mr. GONZALEZ. Well, the meeting is on your Senate bill.

Mr. GRASSLEY. Yes.

Mr. GONZALEZ. And, as I understand it, the Senate had hearings and they had all the time in the world. I do not know if they are published. I believe they published their hearings. I have not had them delivered to me. But my understanding from the Senate side is they did. I would say there is no problem in maintaining the record of this subcommittee meeting open and raising your question in the event the full committee chairman calls a meeting.

Mr. JOHNSON. You can put your statement again in front of the full committee.

Mr. GONZALEZ. Yes, that is right. There is no problem with that.

Mr. GRASSLEY. But there would not be any presumption that the full committee is going to have any hearings on this. Obviously, they would not.

Mr. GONZALEZ. I do not know. He might.

Mr. REES. That is under the power of the full committee chairman.

Mr. HANLEY. In any event, you would have that opportunity in full committee.

Mr. GRASSLEY. Now, another thing I want to say along this line is I just wondered what was the controversy of this bill in the Senate that it only passed by a vote of 52 to 32?

You know, there was no dissension expressed in the record on the Senate side, and yet it had that many negative votes. What was the reason for that?

Mr. BUSHNELL. Well, I cannot imagine why those 32 voted against it.

Mr. GRASSLEY. You must be facetious. If there are 32 Senators against your bill, you must know some reason why there are 32 Senators against your bill.

Mr. REES. Have you ever observed the Senate in session? I mean, you never know why they do anything.

Mrs. FENWICK. They are never there.

Mr. REES. Yes, one person might vote "no" and then all the rest would just go by his instinct. They are different from us.

Mr. BUSHNELL. There was not, in our discussions in the Senate, Congressman, any major problem raised by any Member of the Senate on this.

The main problem raised by some Members is that more money over a longer period should have been requested. I am not sure that would cause them to vote against it.

Mr. GRASSLEY. Well, Mr. Chairman, I would suggest we follow the rules, if the way I read it here and interpreted it is right, and give the 24 hours so that if anybody is interested in appearing before us, they can do it.

Mr. GONZALEZ. Well, as I said and repeat, I believe the preferable thing to do would be for us to act as a subcommittee. Let this question you are raising be raised in the full committee; if the chairman of the full committee decides he is within the rules in calling a meeting and satisfying the requirements of the rules.

I believe a strict interpretation of that rule, with the clerk and so forth, would satisfy the emergency clause. You also have an emergency clause in the rules. But my suggestion would be that our subcommittee not be considered as obstructant since there is a very short period of time confronting us.

We have this question of May 15 and I do believe that the full committee chairman should be allowed to express his decision on whether or not to call a full committee meeting to try and come within the limitation of the Rules of the House with respect to the May 15th deadline.

Mr. TSONGAS. Mr. Chairman?

Mr. GONZALEZ. Yes?

Mr. TSONGAS. Mr. Chairman, I think perhaps the one compromise is simply that if we are going to have a markup in full committee prior to the 15th, that time be set aside before the markup actually begins for anybody who wants to come and testify. I think that would resolve both problems.

Mr. GONZALEZ. That would still be a decision for the full committee chairman. We can recommend it to him as I probably will anyway.

Mr. PAUL. I have a question about procedure. We were talking about palm oil and shrimp. Is this a Treasury decision on taking care of that, or is this something that would have to be accomplished legislatively to exclude these things?

Mr. GONZALEZ. That is correct. Our representative to the Bank, and I guess our Director, would have the direct contact with the Bank, but the request would be made administratively through Treasury.

Mr. TSONGAS. But it would be in our committee report?

Mr. GONZALEZ. Oh, absolutely.

Mr. PAUL. Because I would certainly like this further investigation as to whether or not this occurred and with which countries, Mr. Chairman, to see if this is hurting American business.

Mr. GONZALES. Well, let me say this. The record of this meeting will reflect your concern.

If the full committee chairman decides in his wisdom to call a full committee meeting, there would have to be a report to accompany

the action of the full committee. And in that I think you would have ample time to repeat your concern in the full committee hearing.

Mr. TSONGAS. Mr. Chairman, I move the previous question.

Mr. GONZALEZ. The motion has been made to move the previous question. All in favor signify by saying aye.

[Chorus of ayes.]

Mr. GONZALEZ. All opposed to it signify by saying no.

[One no.]

Mr. GONZALEZ. The ayes seem to prevail. The previous question has been approved. The question then reverts on the recommendation that the subcommittee approve S. 3103 to the full committee for full committee deliberation and decision.

Mr. JOHNSON. Question on the motion.

Mr. GONZALEZ. Question.

All of those in favor of the motion please signify by saying aye.

[Chorus of ayes.]

Mr. GONZALEZ. All opposed by saying nay.

[No response.]

Mr. GONZALEZ. The ayes have it and we will accordingly recommend this to the full committee.

[The following statement of the American Soybean Association was received by the subcommittee for inclusion in the record:]

STATEMENT OF THE AMERICAN SOYBEAN ASSOCIATION ON S. 3103

The American Soybean Association strongly opposes direct or indirect United States government grants or loans to assist palm oil production via the Asian Development Bank or by other means.

We believe that it is a basic right for every country to grow crops of its own choosing, including soybeans and palm oil. We are opposed, however, to the United States' subsidization of the production of palm oil, directly or indirectly as a member of the Asian Development Bank as being both uneconomic and unfair competition.

We deplore subsidized loans made by the Asian Development Bank for palm oil production and bring to the attention of the United States government that such subsidies undermine the livelihood of the United States soybean farmers and related agri-business.

World Bank and Asian Development Bank loans for palm oil production totaled \$305 million in 1965-1975.

We urge the adoption of a limitation to such loans. In the case of the Asian Development Bank we suggest that the United States' member of the Bank's governing body be directed to advance a policy that would encourage loans to meet food needs of a country's people but discourage loans for export commodities such as palm oil when the world supply of vegetable oil is more than ample, and when such loans undermine U.S. farmers.

World palm oil production has increased greatly to a major degree as a result of subsidized loans. World palm oil production rose from 1.3 million metric tons in 1965 to 3.2 million tons in 1975 with projected production in 1980 of 4.7 million tons. The major part of the increase or about 60% has been exported to the U.S. and, as a result, U.S. soybean oil prices have fallen to low levels of 16¢ per lb. with a further decline to 12-14¢ in 1979 projected by USDA experts as a result of foreign competition.

We should repeat that the American Soybean Association does not deny anyone the basic right to grow crops of their own choosing. The chief issue is whether a crop that is already contributing to a glut of world supply and low prices and which enjoys a very low cost of production of not more than 11-12¢ per lb. landed cost in the U.S. should have the benefit of loans under concessionary terms which undercut American farmers, and also undercut the U.S. balance of payments, because soybeans earn about \$4½ billion of foreign exchange annually, in some years being the largest single U.S. export.

[Whereupon, at 10:25 p.m., the subcommittee recessed subject to the call of the Chair.]